

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0714-04
Bill No.: HCS for HB 700
Subject: Medicaid; Health Care; Insurance - Medical
Type: Original
Date: April 15, 2013

Bill Summary: This proposal establishes the Show-Me Transformation Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue #	(Could exceed \$15,708,133)	(Could exceed \$6,705,177)	(Could exceed \$3,521,223)
Total Estimated Net Effect on General Revenue Fund	(Could exceed \$15,708,133)	(Could exceed \$6,705,177)	(Could exceed \$3,521,223)

The estimated net effect does not include the unknown impact the record keeping requirements under the high deductible health plans will have on managed care plan rates.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Other State	(\$1,697,107)	\$5,462,235	\$6,730,593
Total Estimated Net Effect on <u>Other</u> State Funds	(\$1,697,107)	\$5,462,235	\$6,730,593

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 26 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Federal*#	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income, savings, expenditures, and losses exceed \$81 million annually and net to \$0.

The estimated net effect does not include the unknown impact the record keeping requirements under the high deductible health plans will have on managed care plan rates.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	1.5	1.5	1.5
Federal	1.5	1.5	1.5
Total Estimated Net Effect on FTE	3	3	3

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight notes the Department of Social Services (DSS) has not provided estimates of costs or savings for several provisions of this proposal because of guidance from the Centers for Medicare and Medicaid Services (CMS). In that guidance, CMS has stated that if a state's expansion of Medicaid does not include specified populations with incomes up to 138% of the Federal Poverty Level (FPL), the state will not receive enhanced Medicaid reimbursement rates. As a result of this guidance, DSS assumes Missouri will not be granted waivers that would provide for the receipt of enhanced Medicaid rates because the expansion in this proposal does not go to the levels specified by the Affordable Care Act. Therefore, DSS assumes the programs currently in place would continue without change.

§ 208.146 - Elimination of the Ticket-to-Work Program:

Officials from the **Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)** state elimination of the Ticket-to-Work Program will result in a cost savings to GR, Federal, and Other Funds. There will be savings beginning in FY 15. Originally, the program was set to expire August 28, 2013. This proposal extends the program to July 1, 2014. Therefore, savings that result from eliminating the program do not begin until one (1) year later.

Total savings for FY 15 are estimated to be \$30,210,844; and, total savings for FY 16 are estimated to be \$31,570,333.

Oversight notes the Ticket-to-Work Program was originally set to expire August 28, 2013. This proposal extends the Ticket-to-Work program for an additional 10 months. Oversight assumes the extension of the sunset results in the incurrence of additional costs that would not have been incurred had the program sunset and will, therefore, present these costs in the fiscal note.

In response to the previous version of this proposal, (when the Ticket-to-Work program was to be eliminated) DSS assumed a total savings to all funds of \$21,537,082 for FY 14 (10 months). Oversight will use this amount as the cost to extend the program to July 1, 2014. No savings for FY 15 and FY 16 will be presented as the program was originally set to sunset August 28, 2013.

§ 208.151(26) - Former Foster Children:

Officials from the **DSS-DFAS** state coverage for these children will be funded using the regular Federal Medical Assistance Percentage (FMAP) rate of 61.865% beginning August 28, 2013.

ASSUMPTION (continued)

Based on the number of children in foster care who are 20 years old (376), the DSS expects to provide coverage for 1,880 new people (estimated 376 people per year ages 21 -26). The cost per month of care averages \$291, resulting in a monthly cost of \$547,080 and an annual cost of \$6,564,960 (\$547,080 X 12) to cover 21- 26 year-olds who have aged out of foster care. FY 15 and FY 16 include an inflationary increase of 4% on a **calendar year basis**.

Annual costs are estimated to be (for all funds) \$4,923,721 for FY 14; \$6,696,259 for FY 15; and \$6,964,110 for FY 16.

§ 208.151.2(1) - Discontinuance of Eligibility for Recipients of Blind Pension:

Officials from the **DSS - DFAS** state this provision will result in a savings to General Revenue (GR) beginning July 1, 2014 (FY 15); however, per Centers for Medicare and Medicaid Services (CMS) guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage below 138% of the Federal Poverty Level (FPL). Therefore, DSS assumes coverage will not be expanded and recipients would continue to be eligible for Blind Pension.

§ 208.151.2(1) - Discontinuance of Breast and Cervical Cancer Program:

Officials from the **DSS - DFAS** state there will be a cost savings beginning July 1, 2014 (FY 15). Savings are allocated among GR, Federal, and Other Funds; however, per CMS guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage below 138% FPL. Therefore, DSS assumes coverage will not be expanded and recipients would continue to be eligible for the Breast and Cervical Cancer Program.

§ 208.186 - Assessment for treatment resulting from convictions involving drugs/alcohol:

Officials from the **DSS - DFAS** state the cost for court ordered substance abuse assessments for MO HealthNet recipients found guilty of crimes involving the misuse of controlled substances or alcohol could have a substantial impact on the Department of Mental Health to the extent that these assessments would not be covered by Medicaid. DSS assumes no additional cost for parents of children involved with the Juvenile Court because these services are already provided to these families.

Officials from the **Department of Mental Health (DMH)** state the proposed legislation requires MO HealthNet participants who have been found guilty of a crime involving alcohol or a controlled substance to complete an assessment by a treatment provider approved by the DMH.

ASSUMPTION (continued)

The DMH assumes that it will treat the applicant or recipient and also pay for the services. A significant cost would be incurred if DMH were to be required to treat all referred participants. The DMH does not know the number of clients that will present for assessment. There may be an offsetting savings to the Department of Corrections' budget.

The fiscal impact of this proposal is unknown.

Oversight notes the proposal does not specify who will pay for the assessment costs for individuals convicted of or pleading guilty to crimes involving drugs or alcohol. As a result, Oversight is ranging potential costs to the DMH from \$0 to Unknown as it is unclear whether the individual or the DMH will be responsible for the costs.

§ 208.631 - Supplemental Children's Health Insurance Program (SCHIP):

Officials from the **DSS - DFAS** state the original proposal totally eliminated the SCHIP program. This proposal allows for a continuation of coverage for some children if the family does not have access to employer coverage or are not eligible for premium subsidy in the exchange. The cost for coverage in the exchange for a child has not been established. DSS assumes the cost for a child would be 47% of the adult cost in the exchange. Also, some costs are unknown because whether or not coverage is affordable depends on family size. DSS assumes there will be savings from this program, but is unable to determine the amount at this time.

§ 208.659 - Uninsured Women's Health Program:

Officials from the **DSS - DFAS** state there will be a savings beginning July 1, 2014 (FY 15); however, per CMS guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage below 138% FPL. Therefore, DSS assumes coverage will not be expanded and recipients will continue to be eligible for the Uninsured Women's Health Program.

§ 208.661 - School-Based Clinics:

Officials from the **DSS - DFAS** assume that, if established, the school-based clinics and the urgent care clinics will provide the state match and CMS will recognize this match. The federal cost is unknown.

Based on discussions with DSS personnel, **Oversight** assumes this program will have no impact on the state even though the federal funds may "pass through" state accounts.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** state the proposal appears to provide the potential for local school districts to gain an incentive from these provisions; however, the fiscal impact cannot be estimated.

§ 208.662 - Show-Me Health Babies Program:

Officials from the **DSS - MO HealthNet Division (MHD)** provide the following:

Section 208.662. 1. creates the "Show-Me Healthy Babies Program" which would provide medical coverage to unborn children through the children's health insurance program (CHIP).

Section 208.662. 2. sets the income eligibility of the program at no more than 300% of the federal poverty level (FPL), subject to appropriations.

Section 208.662. 3. states that medical coverage would be limited to prenatal care and pregnancy-related services that benefit the health of the unborn child and that promote healthy labor, delivery, and birth.

The Family Support Division (FSD) assumes that 2,376 unborn children will be enrolled. This is the number of Medicaid for Pregnant Women (MPW) who were denied coverage for income between 185% and 300% of FPL. MHD assumes that the cost of coverage would be similar to the current coverage for the MPW population, which could include other medical issues for the mother that could affect the unborn baby (for example, diabetes or an infection). The cost per member per month (PMPM) for the MPW population is \$563.37. Total cost for a year would be \$16,062,819 (2,376 x \$563.37 x 12). There may be some additional unknown costs for programming, so that this new category of aid can be identified.

Section 208.662. 8. defines the ways that the department of social services may provide coverage. These include paying the health care provider directly or through managed care; a premium assistance program; or a combination of the two.

MHD assumes a one-time cost for managed care rate development of \$50,000.

Section 208.662. 11. requires the department of social services to prepare and submit a report on cost savings and benefits at least annually.

MHD assumes that they would contract this service out at a cost of \$40,000 per year.

ASSUMPTION (continued)

Section 208.662. 13. states that the state is not obligated to continue this program if the allotment or payments from the federal government end or are not sufficient to operate the program, or if the general assembly does not appropriate funds for the program.

MHD assumes that if the waiver were not approved or if state match were not appropriated, that this program would cease to exist.

Section 208.662.14. states that nothing in this section shall be construed as expanding MO HealthNet or fulfilling a mandate imposed by the federal government or the state.

Total costs for the program, would be \$16,062,819 in FY12 for the unborn population plus \$40,000 per year for reporting, and a one-time rate development cost of \$50,000 and a one-time unknown cost for programming in FY14. It is also assumed that the unborn cost in FY14 will only be for a 10-month period. A 3.9% medical inflation was added to the FY12 program costs for FY13 and FY14 to arrive at the FY14 cost. An additional 3.9% medical inflation cost was added to FY15 and FY16. The federal match for CHIP services is 73.305%. Rate development, reporting and programming costs would receive a federal match rate of 50%.

FY14 (10 months): > \$14,540,125 (GR \$3,902,461; Federal \$10,637,664);
FY15: >\$18,056,416 (GR \$4,829,482; Federal \$13,226,934); and
FY16: >\$18,759,056 (GR \$5,017,052; Federal \$13,742,004).

Officials from the **DSS - Family Support Division (FSD)** provide the following assumptions:

Federal rules found in 42 CFR 457 allow states the option to consider an unborn child to be a 'targeted low-income child'. This allows an unborn child to be eligible for health benefits coverage under the Children's Health Insurance Program (CHIP) if other applicable eligibility requirements are met.

The definition of 'targeted low-income child' is found at federal rule 42 CFR 457.310. This definition limits the family income to no more than 200% of the federal poverty level (FPL). However, in Missouri, the income limit is currently set at 150% FPL for targeted low-income children. Therefore, the income limit for unborn children would be limited to 150% FPL in order to receive Federal Financial Participation (FFP, or federal matching) funds unless a waiver is requested from the federal government to expand coverage for unborn children above 150% FPL. If a waiver is not granted, unborn children coverage above 150% FPL would not be eligible for FFP and would have to be paid 100% from General Revenue (GR) funds.

ASSUMPTION (continued)

The MO HealthNet for Pregnant Women (MPW) program currently covers pregnant women with family income up to 185% FPL and covers all medical services, not just prenatal care and pregnancy-related services. Therefore, FSD anticipates only unborn children whose family income is greater than 185% FPL, but less than 300% FPL would be eligible for the Show-Me Healthy Babies Program. Based on the average number of MPW cases rejected due to income above 185% FPL, but with income below 300% FPL, the FSD estimates at least 2,376 unborn children would be eligible for this program each year.

Due to the change in organization structure and the requested new eligibility system, FSD assumes existing staff will be able to maintain the increased caseload size and take applications. However, if the funding is not available for the new eligibility system, FSD would need up to ten (10) additional staff to manage the new cases. The FSD anticipates the cost for staff would exceed \$250,000; FY 14 is based on 10 months. A 50/50 federal/state match is assumed.

The FSD assumes existing Central Office Program Development Specialists in the Policy Unit will be able to complete necessary policy and/or forms changes.

The FSD assumes OA-ITSD will include the FAMIS programming costs needed to implement the provisions of this proposal in their fiscal note response.

ASSUMPTION (continued)

Officials from the **OA - Information Technology Services Division (ITSD) - DSS** provide the following assumptions:

Family Assistance Management Information System (FAMIS) Estimates:

Activities	Estimated Hours
An auto batch program to create these applications	160
Data Gathering	160
Technical Eligibility Determination	250
Income Eligibility Determination	250
Assistance Grouping changes	200
Possible New Screen(s)	200
Possible changes on the Pregnancy Detail Screen	160
Presumptive Eligibility Procedure (Should be built into the Technical or Income Determination)	160
Coverage up to one year after birth/ Ex-Parte etc (Is this in addition to the existing newborn benefits that the system provides now?)	160
Possible changes on the Managed Care Batch Program	160
Forms/Notices	160
Extracts/Reports	160
Annual Report (Analysis of Cost Savings/Benefits)	80
Total	2260 hrs

Assumptions:

The estimates for FAMIS are given as if the changes would be made in the current FAMIS system;

- If the changes for this proposal are implemented on top of the Modified Adjusted Gross Income (MAGI) implementation, then costs become unknown as the MAGI technology and application are unknown at this time; and
- This effort would require contract staff whose current rate averages \$90.00/hr.

FAMIS Total: 2260 hours X \$90.00/hr = \$ 203,400.

ASSUMPTION (continued)

MHD Estimates:

Activities	Estimated Hours
Analysis/Design/Create/Modify Specs	100
Coding	160
Testing	40
Total	300 hrs

$$300 \text{ hours} \times \$63.04/\text{hr} = \$18,912$$

Or, if implemented on top of MAGI, the cost becomes - Unknown, greater than \$18,912.

For fiscal note purposes, ITSD is not assuming changes for this proposal will be implemented on top of the MAGI implementation. Therefore, the total impact for fiscal note is assumed to be:

FAMIS	\$ 203,400
MHD	<u>18,912</u>
Total	<u>\$ 222,312</u>

Match rate is 50% General Revenue and 50% Federal.

Officials from the **Office of Administration (OA) - Commissioner's Office** state under existing statute 188.325, RSMo, the Missouri Alternatives to Abortion Services Program (A2A) is an assigned program within the Office of Administration. The program provides services to qualified pregnant women who choose to carry their unborn child to term. Under current eligibility requirements for the A2A program, pregnant women can participate in the program if they are on Medicaid. In addition, under A2A, the family income eligibility level shall not exceed 200% of the poverty level.

Section 208.662 of this proposal would establish the Show-Me Healthy Babies Program (SMHBP) in the Department of Social Services (DSS). While this legislative proposal (208.662.3) would provide 'prenatal care and pregnancy-related services' for an eligible unborn child, the program does not provide services solely for the benefit of the pregnant mother that are unrelated to maintaining or promoting a healthy pregnancy. While A2A can provide clothing, educational services, parenting skills, transportation, housing and utilities, drug & alcohol testing & treatment, etc. to the mother, it is unclear if these services would be considered a 'benefit to

ASSUMPTION (continued)

the unborn child' under the SMHBP. While the definition of 'prenatal and pregnancy-related services' in this proposal would be determined by the DSS, it is possible that there could be a duplication of services under the A2A and the SMHBP. Under 208.662.7 of the proposal, the DSS shall ensure that there is no duplication of payments for services.

While both the A2A and the proposed SMHP can provide coverage for the child for up to one year after birth, this legislative proposal limits the assistance provided to the mother. Under this proposal, the mother can only receive 'pregnancy-related and postpartum coverage' for 60 days after the pregnancy ends. The services to the mother under the A2A program can be for up to a year after birth.

Due to the possible duplication of services, and the differences between services that may be provided by the two programs, it is unknown at this time how the A2A program might be impacted by this proposal.

§§ 208.990 and 208.995 - The Show-Me Transformation Act:

Officials from the **DSS - DFAS** state implementation of coverage for the expansion groups outlined in Section 208.995.3 is contingent on the federal government providing reimbursement at the enhanced matching rate. Based on CMS guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage at any level below 138% FPL. Therefore, DSS assumes coverage will not be expanded, and there will be no fiscal impact.

Using the Modified Adjusted Gross Income (MAGI) standard to determine income eligibility may cause some people who were previously eligible to be ineligible and vice versa. For example, in the future, child support income will not count, but step-parent income will. DSS believes these changes will balance each other and not result in significant savings or new costs.

§ 208.997 - Health Care Homes Program:

Officials from the **DSS - DFAS** state in the original proposal there was a cost because everyone, regardless of health status, was required to be assigned a health care home. In this substitute proposal, there is a cost avoidance (savings) because only people among the current Medicaid population with significant health problems will be assigned a health care home. FY 14 savings to all funds are estimated to be \$4,810,300; FY 15 savings to all funds will total \$12,621,972; and FY 16 savings to all funds will total \$18,857,466.

ASSUMPTION (continued)

§ 208.997.4 - Behavior Assessment:

Officials from the **DSS - MHD** state MHD would reimburse for behavior assessment and intervention codes 96150 to 96155. MHD does not currently reimburse for these codes, so a cost would be incurred. MHD anticipates the reimbursement for these codes would be 60% of the Medicare rate. Medicare does not reimburse for code 96155 so that code was left out of the analysis. The average Medicaid rate for codes 96150 through 96154 weighted for utilization would be \$10 per unit. Medicare does reimburse for codes 96150 through 96154 and MHD pays for the Medicare deductible and coinsurance related to these codes for dual-enrolled (Medicare and Medicaid) individuals.

In FY 12, MHD paid the coinsurance and deductibles on 3,270 units. The number of dual enrolled participants in December 2012 was 136,480. The number of claims billed per dual-enrolled is 0.024 claims (3,270 units / 136,480 participants). The number of MHD participants who are eligible for the services covered by codes 96150 through 96154 was 741,036 in December 2012. The estimated number of units which would be billed to MHD is 17,785 (741,036 participants X 0.024 units) annually. Therefore, the estimated FY 12 cost would be \$177,850 (17,785 units x \$10). The FY 12 cost was inflated by 3.9% annually to arrive at the FY 14 through FY 16 annual costs.

The proposed legislation has an emergency clause and will begin July 1, 2013.

This legislation is subject to appropriation, so the cost is stated as a range.

FY 14: Total \$0 to \$191,993 (GR \$0 to \$73,217; Federal \$0 to \$118,776)
FY 15: Total \$0 to \$199,481 (GR \$0 to \$76,072; Federal \$0 to \$123,409)
FY 16: Total \$0 to \$207,261 (GR \$0 to \$79,039; Federal \$0 to \$128,222)

Officials from the **Department of Mental Health (DMH)** state beginning July 1, 2013 and subject to appropriations, Section 208.152 requires MO HealthNet to reimburse providers of behavioral, social, and psychophysiological services for the prevention, treatment, or management of physical health problems for behavioral assessments and intervention, which is Current Procedural Terminology (CPT) codes 96150 to 96155.

Although these specific CPT codes are not currently covered by DMH, but would be reimbursed through MO HealthNet, the proposal has no fiscal impact to the DMH.

ASSUMPTION (continued)

208.998 - Managed Care Plans:

Officials from the **DSS - DFAS** provide that statewide utilization of managed care for healthy adults and children is expected to result in savings beginning mid-year FY 14. Total savings for all groups (and all funds) are estimated to be \$11,932,804 for FY 14; \$24,402,580 for FY 15; and \$25,500,697 for FY 16.

§ 208.998.1(6) - Moving Non Elderly/Non Disabled Adults from Managed Care Package to Benchmark Package at Commercial Rates:

Officials from the **DSS - DFAS** state this provision will result in a cost to GR and Federal funds beginning mid-year in FY 14. It is estimated FY 14 costs will total \$2,257,199; FY 15 costs are estimated to be \$4,187,166; and FY 16 costs are estimated to be \$3,319,399.

§ 208.998.1(6) - Paying Children's Full Medicaid Benefit Package at Commercial Rates:

Officials from the **DSS - DFAS** state this provision will result in a cost to GR and Federal funds beginning mid-year in FY 14. It is estimated FY 14 costs for this provision of the proposal will be approximately \$31,138,792; FY 15 costs are estimated at \$62,011,722; and FY 16 costs are estimated at \$61,701,899.

§ 208.998.11 - High Deductible Plans:

Officials from the **DSS - DFAS** state the cost for the electronic cards and the record-keeping system under the high deductible plan is unknown at this time. This is a requirement for the managed care plans but will ultimately be reflected in MO HealthNet (MHN) managed care rates.

Due to the fact that it is uncertain how this provision of the proposal will impact managed care rates, **Oversight** is not including it in the fiscal impact.

§ 208.999 - Urgent Care Clinics:

DSS assumes that, if established, the school-based clinics and the urgent care clinics will provide the state match and the Centers for Medicare and Medicaid Services (CMS) will recognize this match. The federal cost is unknown.

Based on discussions with DSS personnel, **Oversight** assumes this program will have no impact on the state even though the federal funds may “pass through” state accounts.

ASSUMPTION (continued)

§§ 376.961 to 376.973 - The Missouri Health Insurance Pool (MHIP):

Officials from the **DSS - DFAS** state there will be additional revenue to the state as a result of eliminating the Missouri Health Insurance Pool and the accompanying tax credits. These savings are not included in DSS calculations and will be addressed by the Department of Insurance, Financial Institutions, and Professional Registration.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state this legislation would phase out the Missouri Health Insurance Pool (MHIP). MHIP is a non-profit organization, created by state statute, which provides medical and drug coverage to Missourians who cannot get insurance in the standard market because of health conditions, exhaustion of COBRA benefits, or other lack of availability. MHIP assesses all health insurers in the state the difference between premiums collected and actual pool costs. Insurers are then allowed a tax credit for this assessment. The credit is taken against General Revenue. Since this legislation would phase out MHIP, the assessments would phase out as well. The fiscal impact is dependent upon when the final assessment would be; however, DIFP estimates a fiscal impact savings of up to \$3,000,000 in FY 14; \$17,013,832 in FY 15 and \$18,513,832 in FY 16.

Oversight notes that according to the Tax Credit Analysis submitted by the Department of Insurance, Financial Institutions and Professional Registration regarding this program, the Missouri Health Insurance Pool Assessment Credit tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	\$10,462,791	\$14,149,947	\$16,900,724
Amount Redeemed	\$8,695,193	\$12,340,486	\$14,934,860

Oversight will utilize DIFP's estimate of impact.

Section 1 - Subsidized Premiums:

Officials from the **DSS - DFAS** state there is an unknown cost relating to hiring a contractor to administer this provision.

Section 2 - MO HealthNet Transformation Task Force:

Officials from the **DSS - DFAS** state this proposal establishes the MO HealthNet Transformation Task Force in the DSS to make recommendations for improvements to the state medical assistance health care delivery system. The Director of the DSS is a member. The task force

ASSUMPTION (continued)

must meet quarterly and prepare a report, including recommendations and a statewide plan, each year until 2024, when the task force expires. Members shall be reimbursed for expenses directly related to the performance of task force duties.

The task force is charged with reporting to the General Assembly on improvements that can be made to the state medical assistance health care delivery system, including:

- Efficient and cost effective ways to provide coverage;
- How coverage can resemble commercially available health plans;
- Promoting healthy behavior and early preventative care;
- How to provide incentives;
- Encouragement of cost effective delivery of care; and,
- Transitioning to private sector health coverage.

The task force will need to engage outside assistance to study and evaluate these technical issues. This may involve contracting with a university, health care research group or actuary. This is not expertise that is available within the Department and could be costly.

DSS estimates the annual cost for operation of the task force, including administrative costs, report production and other activities to support the task force, will be \$500,000 (50% General Revenue and 50% Federal Funds).

Oversight assumes DSS, some other state agency, or the federal government has already looked into/researched some of the issues presented by DSS in their assumptions above and the cost of the task force will not be \$500,000 annually. Oversight, therefore, assumes the expenditures for the task force will be unknown, but could exceed \$100,000 annually.

Officials from the **Department of Mental Health**, the **Department of Health and Senior Services** and the **Office of the Governor** each assume the proposal would not fiscally impact their respective agencies.

Cost Sharing Opportunities:

Officials from the **DSS - DFAS** state DSS is working with the actuary to estimate the fiscal impact of implementation of cost sharing opportunities, including incentive programs for individuals with chronic conditions, high deductible plans, subsidized premiums for private insurance, and co-payments.

ASSUMPTION (continued)

Personal Services

Officials from the **DSS - DFAS** state the MO HealthNet Division (MHD) will need a program development specialist to prepare and monitor the various waivers and changes to the state plan. In addition, the Division of Legal Services (DLS) needs one (1) Attorney and one (1) Administrative Office Support Assistant. The attorney will assist MHD and deal with various legal issues involved with the complex changes to Medicaid. Total costs associated with these FTE are estimated to be \$195,000 for FY 14; \$178,000 for FY 15; and \$178,000 for FY 16 (50/50 State/Federal split).

Bill As A Whole:

Officials from the **Department of Corrections (DOC)** state the yearly fiscal impact due to passage of this proposal is an unknown savings for the DOC; it is further assumed the annual savings would not be substantial. The proposed legislation could possibly allow for clients on Probation and Parole (P&P) supervision to receive services, should they be eligible, through other departments, thereby allowing additional clients on supervision by the DOC to utilize DOC resources.

Oversight assumes the savings the DOC projects as “not substantial” to be minimal and will, therefore, not present these unknown savings in the fiscal note.

Officials from the **Department of Health and Senior Services (DHSS)** provide the following assumptions:

Services for New Participants:

The Division of Senior and Disability Services (DSDS) does not have the information to calculate the number of new participants who will access Home and Community Based Services (HCBS) as a result of this proposal. For each new participant, the average annual cost for FY 2014 is estimated at \$11,381. The current appropriations for Medicaid Home and Community Based (HCB) Services are included in the DHSS/DSDS budget.

Assessment and Reassessment Costs:

Each new participant in Home and Community Based (HCB) Services would receive a prescreen, an initial assessment, and an annual reassessment in subsequent years. Each prescreen takes an average of one hour to complete. Each assessment takes an average of two hours to complete.

ASSUMPTION (continued)

DHSS will require additional staff to complete assessments and reassessments on the newly eligible individuals. DHSS estimates that 1 FTE is required to complete 2,080 prescreens and 1 FTE is required to complete 1,040 assessments/reassessments per year.

The fiscal impact of this proposal is unknown.

Oversight assumes the number of new prescreening and assessments for HCB services the DHSS would be required to perform would be absorbable within their current appropriation level. However, if the number of new recipients of HCB services were to increase significantly, the DHSS could request additional funding through the appropriations process.

Officials from the **Department of Mental Health (DMH)** state DMH consumers in the Ticket-to-Work Health Assurance (TWA) program, breast or cervical cancer, pregnant women, and children's categories who lose eligibility would continue to qualify for DMH services as non-Medicaid consumers. This would reduce the funds available to serve other consumers.

The additional coverage for the new eligibility group is contingent on receipt of a federal waiver that would provide funding at the same rate that is available for expanding Medicaid to 138 percent of the federal poverty level (FPL) under section 2001 of Public Law 111-148. As the Centers for Medicare and Medicaid Services (CMS) have stated, the enhanced match will not be available for expanding to less than 138 percent of the FPL; therefore, this provision of the legislation is expected to have no fiscal impact.

DMH costs and/or cost savings for these changes will be included in the Department of Social Services costs and/or cost savings to the MO HealthNet program.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

ASSUMPTION (continued)

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Missouri Senate (Senate)** assume the proposal will have no fiscal impact on the Senate beyond existing appropriations.

Officials from the **Office of Administration (OA) - Division of Purchasing and Materials Management** state they would have to award the managed care contracts in accordance with the bid language. The most significant impact would be to the Department of Social Services.

Officials from **OA - Division of Budget and Planning**, the **Office of State Courts Administrator**, the **Department of Revenue**, the **Office of the Governor**, the **Office of Prosecution Services** and the **Office of State Public Defender** each assume the proposal would not fiscally impact their respective agencies.

In response to a previous version of this proposal, officials from the **Special School District (SSD)** assumed the proposed legislation would not be expected to have a material fiscal impact on the SSD.

In response to a previous version of this proposal, officials from the **Legislative Research - Revisor of Statutes** assumed the proposal would not fiscally impact their agency.

No other officials from school districts responded to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Income - DIFP</u>			
Elimination of MHIP tax credits (\$ 376.961 to §376.973)	Up to \$3,000,000	Up to \$17,013,832	Up to \$18,513,832
<u>Savings - DSS</u>			
SCHIP (§208.631)	Unknown	Unknown	Unknown
Health home expansion (§ 208.997)	\$970,952	\$2,547,727	\$3,806,352
Statewide managed care for healthy adults and children (§ 208.998)	<u>\$2,458,466</u>	<u>\$5,027,562</u>	<u>\$5,253,802</u>
<u>Total Income and Savings - DIFP & DSS</u>	Could exceed \$6,429,418	Could exceed \$24,589,121	Could exceed \$27,573,986
<u>Costs - OA (§ 208.662)</u>			
Show-Me Healthy Babies/A2A Program	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
<u>Costs - OA-ITSD-DSS (§ 208.662)</u>			
System programming changes	(\$111,156)	\$0	\$0
<u>Costs - DSS</u>			
Extend Ticket-to-Work Program (\$ 208.146)	(\$4,347,229)	\$0	\$0
Former foster care youth (\$ 208.151(26))	(\$1,108,195)	(\$1,507,145)	(\$1,567,431)
MHD program expansion, reporting and development expenditures (§ 208.662)	(Unknown, greater than \$3,902,461)	(Unknown, greater than \$4,829,482)	(Unknown, greater than \$5,017,052)
FSD program expenditures (§ 208.662)	\$0 or (Unknown, greater than \$104,166)	\$0 or (Unknown, greater than \$125,000)	\$0 or (Unknown, greater than \$125,000)
MHD share of behavior assessments (\$ 208.997.4)	(\$0 to \$73,217)	(\$0 to \$76,072)	(\$0 to \$79,039)

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND (cont.)			
<u>Costs - DSS (cont.)</u>			
Moving non-elderly/non-disabled adult from managed care package to benchmark package at commercial rates (§ 208.998.1 (6))	(\$860,783)	(\$1,596,776)	(\$1,265,853)
Children's full Medicaid benefit package at commercial rates (§ 208.998.1 (6))	(\$11,660,727)	(\$23,221,895)	(\$23,105,873)
Premium subsidy program (Section 1)	(Unknown)	(Unknown)	(Unknown)
Task force operations costs (Section 2)	(Unknown, could exceed \$50,000)	(Unknown, could exceed \$50,000)	(Unknown, could exceed \$50,000)
Personal service - 1.5 FTE, fringe benefits and equipment and expenses	(\$97,500)	(\$89,000)	(\$89,000)
<u>Total Costs - DSS</u>	<u>(Unknown, greater than \$22,138,051)</u>	<u>(Unknown, greater than \$31,294,298)</u>	<u>(Unknown, greater than \$31,095,209)</u>
FTE Change - DSS	1.5 FTE	1.5 FTE	1.5 FTE
<u>Costs - DMH</u>			
Assessment costs (§ 208.186)	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND #	<u>(Could exceed \$15,708,633)</u>	<u>(Could exceed \$6,705,177)</u>	<u>(Could exceed \$3,521,223)</u>
Estimated Net FTE Change on the General Revenue Fund	1.5 FTE	1.5 FTE	1.5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
OTHER STATE FUNDS			
<u>Savings - DSS</u>			
Health home expansion (§ 208.997)	\$863,456	\$2,265,663	\$3,384,942
Statewide managed care for healthy adults and children (§ 208.998)	\$2,074,840	\$4,243,045	\$4,433,983
<u>Costs - DSS</u>			
Extend Ticket-to-Work Program (§ 208.146)	(\$3,865,937)	\$0	\$0
Former foster care youth (§ 208.151(26))	<u>(\$769,466)</u>	<u>(\$1,046,473)</u>	<u>(\$1,088,332)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(\$1,697,107)</u>	<u>\$5,462,235</u>	<u>\$6,730,593</u>
FEDERAL FUNDS			
<u>Income - OA-ITSD-DSS</u>			
System programming reimbursements (§ 208.662)	\$111,156	\$0	\$0
<u>Income - DSS</u>			
Reimbursement for Ticket-to-Work program expenditures (§ 208.146)	\$13,323,916	\$0	\$0
Reimbursement for program expenditures for former foster care youth (§ 208.151(26))	\$3,046,060	\$4,142,641	\$4,308,347
MHD program expenditure reimbursements (§ 208.662)	Unknown, greater than \$10,637,664	Unknown, greater than \$13,226,934	Unknown, greater than \$13,742,004
FSD program expenditure reimbursements (§ 208.662)	\$0 or Unknown, greater than 104,166	\$0 or Unknown, greater than \$125,000	\$0 or Unknown, greater than \$125,000
Reimbursement for additional behavior assessment expenditures (§ 208.997.4)	\$0 to 118,776	\$0 to \$123,409	\$0 to \$128,222

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS (cont.)			
<u>Income - DSS (cont.)</u>			
Reimbursement for program expenditures resulting from moving non-elderly/non-disabled adult from managed care package to benchmark package at commercial rates (§ 208.998.1(6))	\$1,396,416	\$2,590,390	\$2,053,546
Reimbursement for children's full Medicaid benefit package at commercial rates (§ 208.998.1(6))	\$19,478,065	\$38,789,827	\$38,596,026
Premium subsidy program reimbursements (Section 1)	Unknown	Unknown	Unknown
Task force operations expenditure reimbursements (Section 2)	Unknown, could exceed \$50,000	Unknown, could exceed \$50,000	Unknown, could exceed \$50,000
Reimbursement for personal service - 1.5 FTE, fringe benefits and equipment and expenses	<u>\$97,500</u>	<u>\$89,000</u>	<u>\$89,000</u>
<u>Total Income - DSS</u>	Unknown, could exceed \$48,029,621	Unknown, could exceed \$58,888,792	Unknown, could exceed \$58,838,923
<u>Income - DMH</u>			
Reimbursement for assessment costs (§ 208.186)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Savings - DSS</u>			
Reduction in SCHIP expenditures (§208.631)	Unknown	Unknown	Unknown
Reduction in program expenditures due to health home expansion (§ 208.997)	\$2,975,892	\$7,808,583	\$11,666,172
Reduction in health care costs for statewide managed care program (§ 208.998)	<u>\$7,399,498</u>	<u>\$15,131,973</u>	<u>\$15,812,912</u>
<u>Total Income & Savings - OA, MHD, DSS</u>	Unknown, could exceed \$58,516,167	Unknown, could exceed \$81,829,348	Unknown, could exceed \$86,318,007

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS (cont.)			
<u>Costs - OA-ITSD-DSS</u>			
System programming expenditures (§ 208.662)	(\$111,156)	\$0	\$0
<u>Costs - DSS</u>			
Program expenditures for Ticket-to- Work (§ 208.146)	(\$13,323,916)	\$0	\$0
Program expenditures for former foster care youth (§ 208.151(26))	(\$3,046,060)	(\$4,142,641)	(\$4,308,347)
MHD program expenditures (§ 208.662)	(Unknown, greater than \$10,637,664)	(Unknown, greater than \$13,226,934)	(Unknown, greater than \$13,742,004)
FSD program expenditures (§ 208.662)	(\$0 or Unknown, greater than \$104,166)	(\$0 or Unknown, greater than \$125,000)	\$0 or Unknown, greater than \$125,000)
Additional behavior assessment expenditures (§ 208.997.4)	(\$0 to 118,776)	(\$0 to \$123,409)	(\$0 to \$128,222)
Program expenditures for moving non- elderly/non-disabled adult from managed care package to benchmark package at commercial rates (§ 208.998.1 (6))	(\$1,396,416)	(\$2,590,390)	(\$2,053,546)
Program expenditures for children's full Medicaid benefit package at commercial rates (§ 208.998.1 (6))	(\$19,478,065)	(\$38,789,827)	(\$38,596,026)
Premium subsidy program expenditures (Section 1)	(Unknown)	(Unknown)	(Unknown)
Task force operations expenditures (Section 2)	(Unknown, could exceed \$50,000)	(Unknown, could exceed \$50,000)	(Unknown, could exceed \$50,000)
Expenditures for personal service - 1.5 FTE, fringe benefits and equipment and expenses	(\$97,500)	(\$89,000)	(\$89,000)
<u>Total Costs - DSS</u>	<u>(Unknown, could exceed \$48,029,121)</u>	<u>(Unknown, could exceed \$58,888,792)</u>	<u>(Unknown, could exceed \$58,838,923)</u>
FTE Change - DSS	1.5 FTE	1.5 FTE	1.5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS (cont.)			
<u>Costs - DMH</u>			
Expenditures for assessment costs (\$ 208.186)	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
<u>Loss - DSS</u>			
Reduction in reimbursements for SCHIP (\$208.631)	(Unknown)	(Unknown)	(Unknown)
Reduction in program reimbursements due to health home expansion (§ 208.997)	(\$2,975,892)	(\$7,808,583)	(\$11,666,172)
Reduction in program expenditures from statewide managed care program (\$ 208.998)	<u>(\$7,399,498)</u>	<u>(\$15,131,973)</u>	<u>(\$15,812,912)</u>
<u>Total Costs & Losses - OA, DMH, DSS</u>	<u>(Unknown, could exceed \$58,516,167)</u>	<u>(Unknown, could exceed \$81,829,348)</u>	<u>(Unknown, could exceed \$86,318,007)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS #	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	1.5 FTE	1.5 FTE	1.5 FTE

The estimated net effect on General Revenue and Federal Funds does not include the unknown impact the record keeping requirements under the high deductible health plans will have on managed care plan rates.

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business health care providers may see an increase in reimbursement rates and in the number of clients they serve.

FISCAL DESCRIPTION

This proposal changes the requirements for the delivery of health care benefits under the MO HealthNet Program under the “Show-Me Transformation Act”. This transformation would begin January 1, 2014, with sections contingent upon the amendment of IRS health insurance premium tax credits, approval by the U.S. Department of Health and Human Services, and the granting and implementation of required waivers needed to make the proposed changes. Changes subject to approval and/or waivers include: 1) Elimination of the Ticket-to-Work Program which is set to expire August 28, 2013 (the effective date of the legislation); 2) Elimination of state-only funded medical coverage for Blind Pension recipients, effective July 1, 2014; 3) Elimination of coverage based on the need for treatment of breast or cervical cancer, effective July 1, 2014; 4) Reduction of the income limit for pregnant women from 185% to 133% of the federal poverty level (FPL), effective July 1, 2014; 5) Elimination of coverage under the Children’s Health Insurance Program and lowering the Medicaid income limit for children under the age of 1 from 185% to 133% of FPL, effective October 1, 2019; 6) Elimination of the uninsured women’s health program, effective July 1, 2014; 7) Extension of Medicaid coverage for children in foster care when they turn 18 until they turn 26; and 8) Requiring the MO HealthNet Division to develop and implement the “Health Care Homes Program” as a provider-directed care coordination program for recipients who are not enrolled in a prepaid MO HealthNet benefits option and who are receiving services on a fee-for-service basis.

The proposal implements federal regulations that require eligibility determinations for parents, children, and pregnant women be based on Modified Adjusted Gross Income standards equivalent to current income levels.

The provisions also propose adding coverage for individuals age 19 through 64 with incomes not exceeding 100% of the FPL who are not eligible for Medicare. Individuals eligible in this new coverage group will receive an alternative benefit package that meets the requirements of federal law rather than the full MO HealthNet benefit package, unless the individual meets the definition of medically frail. Medically frail individuals will receive the full MO HealthNet benefit package.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Division of Budget and Planning
 Commissioner’s Office
 Division of Purchasing and Material Management

HWC:LR:OD

SOURCES OF INFORMATION (continued)

Office of State Courts Administrator
Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions, and Professional Registration
Department of Corrections
Department of Mental Health
Department of Health and Senior Services
Department of Revenue
Department of Social Services -
 Division of Finance and Administrative Services
Office of the Governor
Joint Committee on Administrative Rules
Legislative Research
Missouri Senate
Office of Prosecution Services
Office of Secretary of State
Office of State Public Defender
Special School District



Ross Strobe
Acting Director
April 15, 2013